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Agenda Item 4a

August 16, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

I. SUBJECT: Health Care Reform Quarterly Update

II. PROGRAM: Benefit Programs Policy and Planning

III. RECOMMENDATION: Information

IV. ANALYSIS:

Prevention and Public Health Fund

In June 2011, the U.S. Department of Health and Human Services (HHS) announced funding to establish and evaluate comprehensive workplace health promotion programs across the nation. Using funds from the Affordable Care Act's (ACA) Prevention and Public Health Fund, the initiative aims to improve workplace environments by supporting healthy lifestyles and reducing risk factors for chronic diseases. HHS will award the funds to a national contractor to provide technical assistance to employers developing worksite wellness programs.

Representatives from the following organizations have formed a workgroup to pilot a State worksite wellness program and explore whether the technical assistance offered through HHS will benefit the pilot:

- State Controller's Office
- State Treasurer's Office
- Department of Personnel Administration
- California Public Employees' Retirement System
- Harbage Consulting
- Institute for Research on Labor and Employment
- Prevention Institute
- Service Employees International Union, and
- University of California, Berkeley Center for Labor Research and Education.

Preventive Services

On August 1, 2011, HHS announced new guidelines that will ensure millions of women receive preventive health services with no cost sharing, including:

- well-woman visits
- screening for gestational diabetes
- human papillomavirus (HPV) DNA testing for women 30 and older
- sexually-transmitted infection counseling
- human immunodeficiency virus (HIV) screening and counseling
- FDA-approved contraception methods and contraceptive counseling
- breastfeeding support, supplies, and counseling, and
- domestic violence screening and counseling.

By eliminating barriers such as copays, co-insurance, and deductibles, these guidelines help improve access to affordable, quality health care for all women. Non-grandfathered health plans, with certain exceptions, are required to cover the above women's preventive services with no cost sharing in plan years starting on or after August 1, 2012.

For CalPERS health plans, these guidelines are effective January 1, 2013. Staff will work with our health plan partners to ensure implementation of the above provisions and to understand the corresponding cost implications.

Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP) reimburses participating employment-based plans for a portion of health benefit costs for early retirees age 55 and older and who are not eligible for Medicare. The reimbursement also extends to their spouses, surviving spouses, and dependents. In June 2011, the Centers for Medicare and Medicaid Services (CMS) reported paying over $2.7 billion of the $5 billion available funds. CMS expects to exhaust funds by the end of 2011.

In December 2010, CalPERS received its first ERRP reimbursement from HHS for $57,820,688. On April 15, 2011, CalPERS received its second quarterly reimbursement for $40,879,731. To date, CalPERS has received $98,700,419 in ERRP funds. Due to a programming error, CalPERS and all other Thompson-Reuters clients were unable to successfully submit claims for the second quarter 2011 reimbursement cycle. Thompson-Reuters resolved the error and staff do not anticipate any adverse impact to overall reimbursement projections. Staff expect to submit the next claims request in August.

Accountable Care Organizations and the Medicare Shared Savings Program

Since the last update to the Health Benefits Committee (HBC) in May 2011 on the Medicare Shared Savings program, the public comment period on the proposed rule has closed. The Medicare Shared Savings program allows Accountable Care Organizations (ACO) to contract with Medicare beginning in January 2012. To be eligible for shared savings, ACOs must also meet quality standards in the following five areas:

1. Patient care giver experience
2. Care coordination
3. Patient safety
4. Preventive health
5. At risk populations/frail elderly health

Health Policy Research Division (HPRD) staff did not submit comments on the Medicare Shared Savings program proposed rule, as the program does not impact existing CalPERS integrated health care programs. HPRD staff, however, agree with the comments submitted to CMS by the Pacific Business Group on Health (PBGH), in collaboration with the Consumer-Purchaser Disclosure Project. PBGH highlighted the following areas for CMS to consider:

- Market Competition
  Ensure changes to CMS provider payments do not reduce competition.
- Quality and Cost Accountability
  Focus on a core set of high-value measures that emphasize outcomes.
- Alignment of Quality Measurement Domains
  Focus on areas where few performance measurements exist and synchronize ACO program measurements across multiple domains.
- Payment Rewarding Delivery Redesign and Right Care at the Right Time
  Expand incentives to specialty providers and hospitals accompanied by a payback provision for payers that do not progress by year three.

Please see Attachments 1 and 2 for PBGH's comments to CMS and their accompanying Issue Brief.

Affordable Insurance Exchanges

On July 11, 2011, HHS proposed a framework to assist states in building Affordable Insurance Exchanges, state-based competitive entities where individuals and small businesses will be able to purchase private health insurance and have the same choices as Members of Congress.

HHS released two proposed regulation packages related to Affordable Insurance Exchanges:

- Establishment of Exchanges and Qualified Health Plans, and
- Standards Related to Reinsurance, Risk Corridors, and Risk Adjustment

The first package outlines a framework that will enable states to build Affordable Insurance Exchanges. The second package addresses standards related to reinsurance, risk corridors, and risk adjustment to assure stability in these newly established markets. Public comments on the proposed new rules are due by September 28, 2011. HPRD staff are reviewing the regulations to determine potential impacts to CalPERS.

California Health Benefit Exchange Board

In April 2011, the California Health Benefit Exchange Board appointed Pat Powers as the Interim Executive Director of the California Health Benefit Exchange Board until it hires a permanent Executive Director. Recruiting efforts are also underway for General Counsel. In June 2011, the Senate appointed Dr. Robert Ross, President and Chief Executive Officer of the California Endowment, to fill the last position on the five-member Board.

Also in June, the Board submitted a proposal for a Level I Establishment grant for $40 million to establish the Health Exchange organization and the Request for Proposal for the Information Technology contract. The "Level I" grant will, among other things, provide more funding to hire a skeleton staff for the Exchange.

The Board continues to work on the following:

- Eligibility and enrollment simplification and streamlining
- Coordination with other purchasers
- Benefit design
- Plan assessment
- Contracting criteria for participating plans
- Outreach, marketing, distribution
- Participation standards for individuals and employers
- Administration of the Small Business Health Option Program (SHOP)

Key Exchange milestone dates include:

- January 2013: Federal government certifies Exchanges
- June 2013: IT systems testing complete
- Mid/late 2013: Open enrollment begins for 2014
- January 1, 2014: Exchanges open for business
- January 1, 2015: Exchange must be financially self-sustaining

HPRD staff attend Exchange Board meetings and monitor all webinars and presentations.

Availability of Medicare Data for Performance Measurement

On June 3, 2011, CMS issued proposed rules regarding the release and use of standardized Medicare claims data to measure the performance of providers and suppliers in ways that protect patient privacy. The proposed rule seeks increased transparency for all stakeholders by allowing "qualified entities" to publish prescribed reports on provider performance. These reports will combine private sector claims data with Medicare claims data for the sole purpose of evaluating and reporting on the performance of providers on measures of quality, efficiency, effectiveness, and resource use.

HPRD conducted a preliminary review of the CMS proposed rules and are concerned that the rule places a significant administrative burden on qualified entities to manage an undefined provider appeals process. CMS estimates that there could be up to 1,200 disputes for a single qualifying entity to resolve in the first year. This seems like a cumbersome workload that could result in data delays and high costs. In addition, there seems to be no provisions for resolving disputes. Staff submitted comments to CMS encouraging them to provide more guidance on resolving disputes in a cost-effective manner. Staff believe these data may expand CalPERS ability to benchmark against California specific data. It is therefore important to encourage CMS to remove disincentives to becoming a qualified entity. CalPERS staff will continue to analyze the rule to determine the full benefit of the data and the best way to access the data.

Prohibition on Rescissions

On February 15, 2011, the HBC approved the proposed regulations package conforming the Public Employees' Medical and Hospital Care Act to federal law. On January 1, 2011, the federal provisions went into effect and CalPERS began implementation.

The ACA and federal regulations prohibit group or individual health plans from retroactively rescinding health coverage once an individual is covered, except in cases of fraud or intentional misrepresentation of material fact. A health plan or health insurance issuer must provide at least 30 days advance written notice prior to rescinding coverage. Specifically, the Act prohibits a retroactive cancellation of coverage due to a reduction in time base or hours.

In June 2011, the HBC adopted the proposed regulations. CalPERS received one written comment during the 45-day written comment period. The comment did not result in changes to the regulations. The CalPERS Regulations Coordinator anticipates forwarding the final rulemaking package to the Office of Administrative Law in early August. CalPERS staff requested the regulations become effective immediately upon filing with the Secretary of State.

V. STRATEGIC PLAN:

This directly relates to Goals X, XI, and XII of the Strategic Plan which state:

- "Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers."
- "Promote the ability of members and employers to make informed decisions resulting in improved lifestyle choices and health outcomes."
- "Engage and influence the healthcare marketplace to provide medical care that optimizes quality, access, and cost."

VI. RESULTS/COSTS:

This is an information only item.

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Attachments